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Economics as a Public Science, Part I: The Economist’s Ethos and Modes of Persuasion

Introduction to Economics as a Public Science

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Harro Maas, Steven G. Medema and Marco Guidi

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Introduction to Economics as a Public Science

Harro Maas*, Steven G. Medema**, and Marco Guidi***

This short article introduces readers to the papers published in this issue on the theme of "public reason" in economics. It provides ground to the notion of "public reason" in economics as a two-way process taking place in interstitial spaces between economics, as an academic discipline, and the various publics in which economics—its concepts, tools, and methods—acquires meaning as an instrument of social understanding and political change.

Keywords: methodology, public reason, expertise

Introduction à l'économie comme science publique

Ce court article sert d'introduction aux articles publiés dans ce numéro sur le thème de la « raison publique » en économie. Il précise la notion de « raison publique » en économie comme un processus à double sens qui s'inscrit dans les espaces interstitiels entre l'économie comme discipline et les publics variés parmi lesquels ses concepts, outils et méthodes acquièrent une signification comme instrument de la compréhension sociale et du changement politique.

Mots-clés : méthodologie, raison publique, expertise

JEL : A11, B20, B40, Z18

The essays in this and the next issue of *Œconomia* are the result of a conference on "Economics and Public Reason," which was hosted by the Centre Walras-Pareto for the History of Economic and Political Thought at the University of Lausanne in early May 2018. After the conference, the papers were rewritten in the light of the conference's discussion and sent out for peer-review. In the end, fourteen papers were retained that will be published in this and the next issue, guest-edited by Harro Maas of the Centre Walras-Pareto, Steven Medema of the Center for the History of Political Economy at Duke University, and Marco Guidi of the University of Pisa. Before briefly introducing the papers of this issue, the guest-editors would like to thank the editorial board of *Œconomia*, but especially Jean-Sébastian Lenfant,

*Centre Walras-Pareto for the History of Economic and Political Thought, University of Lausanne, harro.maas@unil.ch
**Department of Economics, Duke University, steven.medema@duke.edu
***Department of Economics, University of Pisa, marco.guidi@UNIPI.IT

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The call for papers articulated the relation between economics and public reason as a two-way process, in which economics as a discipline developed its forms of argument and evidence in exchange with its publics. The call also emphasized our interest in contributions that would take specific sites, textual genres, formal and informal networks, or profiles of specific categories of mediators as point of departure. It was not our intention, as some might take "public reason," to investigate the relation of economics to the specific liberal democratic context encroached by John Rawls and Jürgen Habermas in their respective analyses of how such a liberal democratic order could or should be conceived.[1] Instead, we used the label "public reason" to loosely refer to the interstitial spaces between economics, as an academic discipline, and the various publics in which economics—its concepts, tools, and methods—becomes meaningful. We therefore conceived of our subject rather as a reference to Sheila Jasanoff's collection of essays, *Science and Public Reason* (Jasanoff, 2012; see also 2009), in which Jasanoff develops the idea of science, not as a purely academic enterprise, but as an endeavor which develops in exchange with its publics. To make clear the nature and scope of our enterprise, we have elected to employ the title, "economics as a public science" for these two thematic issues of *Œconomia*.

Nowadays, it is of course a commonplace to say that public and policy discourse is immersed in economic terminology and reasoning. Scholarly writing within the history of economics, and in recent years increasingly from economic sociologists and science and technology studies, has detailed the role of economists as expert advisors and public intellectuals (Mata and Medema, 2013), their role in politics (Guidi, 2017), individually or as part of groups and networks (Forget and Goodwin, 2011), from Roosevelt's Braintrusters (Barber, 1988; 1996) to the New Economics of the Sixties (Bernstein, 2001; Romani, 2018), to the Mont Pelerin Society and the rise of neo-liberalism (Mirowski and Plehwe, 2015). In their excellent review of recent scholarship in this field, Hirschman and Berman (2014) made the useful distinction between economists and economics. They noted that the influence of economists on public and policy discourse may reside far less in their direct pronouncements than in what Science and Technology Studies refers to as the socio-technical infrastructures of

[1] The literature is too vast to reference here, but see for example Rawls (1997); Benhabib (1991).

economic knowledge production and transmission. These studies do not concentrate on individual economists or networks but look at what Hirschman and Berman capture under the labels of *styles of reasoning* and *policy devices* that provide specific economic knowledge and produce its force and persuasiveness. Both notions have their own complex histories and connotations, but for present purposes they usefully distinguish between the core principles with which questions of economic policy are approached and the "sociotechnical" tools put in place to "help policymakers see and make decisions about the world" in specific ways.[2]

The contributions in this first special issue thus center around questions of the economist's ethos and his or her tools and modes of persuasion, while those in the second take up the (international) institutional settings within which economic concepts, tools and theories became and become expressed. The distinction is one of degree rather than kind, because inevitably there are many crossovers between the distinctions just made, as is easily seen from the attention that will be paid to the political institutional settings in this volume as well.

The question of the economist's ethos is perhaps most visible in the contribution by Andrés Alvarez, Andrés Guiot-Isaac, Jimena Hurtado. They raise the issue of the neutrality or non-neutrality of economic expert advice against the diverging perspectives of Albert Hirschman and Lauchlin Currie on the role of the economic expert and the possibilities and limits of expert advice on economic development. While both were concerned with the patchwork approach to economic planning which they experienced during their consulting work in Colombia, they took opposing messages from this, with their respective positions premised on their divergent perspectives on the interplay between "sound economic principles" and the force of local circumstances. While Currie was a believer in both sound principles and the need to adapt them to local circumstances, Hirschman was more sceptical about the existence of any such principles. Instead, he saw the economic expert as a mediator and catalyst whose judgment could enhance initiatives on the ground, but who by no means could enforce a consistent and encompassing development plan (something Currie perhaps ideally might have wished for, but deemed not possible in an imperfect world). Both perspectives thus suggest different roles to play by economists, embodying different attitudes toward the different audiences with whom they engage.

The economist's ethos is important in Arthur Cecil Pigou's reflections on and practice as an economist in the public sphere as well. Pigou has commonly been considered an academic recluse, certainly

[2] Hirschman and Berman thus cut the cake rather differently from the vast literature on (economic) modeling that considers modeling itself as a style of reasoning that should be added to Alistair Crombie's original list. For a discussion, see especially Morgan (2012).

in comparison with his much more vocal contemporaries such as John Maynard Keynes. But as Nahid Aslanbeigui and Guy Oakes detail, "public enlightenment" in correct principles of economic reasoning was a project of lifelong concern to Pigou, one for which he mobilized the support of his fellow economists when he deemed it necessary. Prominent here was his initiative in the early 1930s to publish a letter, signed by a wide list of economists (but not covering the whole spectrum of opinions) setting out the economists' arguments against Chamberlin's austerity policies. The initiative illustrates Pigou's abhorrence of "partisanship" but also his naïveté in assuming the possibility of a neutral vantage point from which economists could lecture politicians and the general public about a sphere of economic reasoning that could be distinguished from political *parti-pris*. Pigou articulated an *ethos* of neutrality which effectively functioned, as Aslanbeigui and Oakes show, as an epistemological trap; economic policy prescriptions are inconceivable without being political.

Pigou argued his position against a belief in the self-correcting power of markets, and hence the belief that involuntary unemployment would only be temporary. That such a belief has material consequences as to how economists perform their research can be seen in the opposing positions of the Wisconsin institutionalists and Robert Lucas, discussed by Marianne Johnson and Aurélien Goutsmedt, Danielle Guizzo and Francesco Sergi, respectively. The Wisconsin institutionalists took as a consequence of their belief in the malfunctioning of markets, and especially labor markets, the need to pursue a research agenda that was useful to diagnose market shortcomings and intervene by creating an institutional environment to correct them. This not only implied a heavy emphasis on legal reform, but also an educational commitment to show and tell the facts and the reforms needed.

The result was a research agenda that focused on particulars, conducted time and again using difficult and time-consuming (participant) field work, instead of an agenda that generalized its findings. For Robert Lucas, at the other end of the spectrum, such an activist agenda was anathema. His strong belief in self-correcting markets made it important to create an institutional environment that would *prevent* governments from actively intervening in the economy. This is why he strongly criticized the Employment Act of 1946, which institutionalized an activist government in the marketplace. One vehicle for this activism was the newly formed Council of Economic Advisors. Indeed, Lucas blamed the Employment Act of 1946 for legitimizing government activism instead of institutionalizing governmental restraint. To put it bluntly, if you *don't* believe in self-correcting markets, you have to put institutions in place that correct them. That's exactly what Wisconsin institutionalists did with their agenda of action research and legal reform. If you *do* believe in self-correcting markets, you have to put institutions in place that *prevent* the government from intervening in them. This is what Lucas and Buchanan's constitutionalist approach to economic policy tried to achieve. As Goudsmedt et al. show, the "high theory" approach to macroeconomics developed by Lucas and others was never neutral with regard to economic policy. Instead, their general approach to macroeconomic modeling incorporated a "passive" view on economic policy which from the outset intended to constrain government activism.

The paper in which Lucas articulated his famous "Lucas critique" and which he had distributed strategically in the right venues, was a manifestation of this overarching concern. It provides a nice illustration of Hirschman and Berman's point that economists sometimes can be more effective indirectly by framing a policy agenda than through direct, concrete policy interference. In Lucas' case, the irony, of course, was that his notion of passive politics became hailed by the medium he deliberately tried to steer away from: journalism and the daily press.

The story told by Goudsmedt et al. is complemented in this volume with an account of the nemesis of Lucas's approach to economics: The New Economics of the 1960s that self-consciously took the possibilities of fine tuning the economy to the extreme. As Béatrice Cherrier shows, Walter Heller was New Economics incarnate. Cherrier concentrates on Heller's most effective weapon in changing politics, one that in its form and execution was the radical opposite of high theory: the memo to the President. Cherrier's detailed account of Heller's crafting of his memos, and the important place they gained in policy preparation, shows them to be genuine policy devices that help policymakers to make economically informed decisions (Hirschman and Berman, 2014, 782). But her contribution also points to the important role played by institutional infrastructures. Heller's memos could never have had such an important influence on the decisions of the American president were it not for the existence of the recently created Council of Economic Advisors (as rightly seen by Lucas), a system that gives substantial discretionary power to the President, a particular President willing to discuss and trying to understand economic policy matters, and the interventionist style of economic reasoning of the New Economics that generically backed up Heller's arguments.

The importance of this setting becomes clear when contrasted with the very different institutional structure for macro-economic policy that evolved in the Netherlands after the Second World War. As Tom Kayzel argues, the so-called Dutch Central Planning Bureau gained its present overwhelming authoritative voice on questions of macroeconomic policy when it adjusted its macro-modeling approach away from mere forecasting to the design of "railway timetables" that compared the consequences of different economic policies in one comprehensive table, thus enabling politicians to discuss forecasting outcomes while black-boxing the economic model that produced them. But just as the memos to the President lost their patina once Heller and the New Economics were no longer there, so did the comparative policy tables produced by the Dutch CPB once it tried to take on board the medium- and long-term effects of technical change. That model produced policy alternatives that were substantially reduced in scope and, paradoxically, it was only by mobilizing the political domain as an ally against the substantial resistance to the new CPB modeling coming from within the academic realm that the CPB was able to regain and even increase its political authority.

These last contributions thus show the contingencies that make economic styles of reasoning, policy devices and socio-technical infrastructures sufficiently aligned to be effective. Sometimes, however, the necessary alignment never occurs, as a result of which potentially influential ideas fail to gain traction. This was the case in the applied field of port economics, where marginal cost pricing, as in Pirandello's famous piece, was waiting for an audience that would pick up on its importance. That audience only came when ports were no longer only considered within the context of national economic politics, as a question of national interest, but instead had moved into the sphere of the European Union and became considered in terms of legitimate competition and economic efficiency. When ports were no longer seen as public utilities and lost their public goods character, they became 'economized' in terms of marginal cost pricing. But this did not happen without the transfer of decision-making authority to the European Union, which provides our final reminder, to be followed up in the next issue, that it is not only the economist's perception of his or her role in the public sphere which matters. The institutional setting in which an economist provides public policy pronouncements is equally important.

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